

File





Salada Foods Ltd

HEAD OFFICE

855 York Mills Road
Don Mills, Ontario, Canada

DIRECTORS

*Richard C. Beeson, *President*
E. Jacques Courtois
*Samuel Fingold, *Chairman of the Board*
H. Owen Jones
Robert A. Kingston
*James L. Lewtas
*Hugh G. Tait
Douglas H. Ward
*Leonard N. Watt

**Members of the Executive Committee*

CORPORATE OFFICERS

Samuel Fingold, *Chairman of the Board*
Richard C. Beeson, *President*
Hugh G. Tait, *Vice-President & Treasurer*
Edmund F. MacKeen, *Secretary*
Robert J. Sowards, *Controller*

AUDITORS

McDonald, Currie & Co.

TRANSFER AGENTS

Crown Trust Company, Toronto, Montreal, Winnipeg, Calgary and Vancouver
Canadian Imperial Bank of Commerce, Halifax





Salada Foods Ltd and Subsidiaries

FINANCIAL HIGHLIGHTS

Operations

	1968	1967
Gross Sales	\$81,740,645	\$85,521,769
Earnings from operations	2,470,071	2,286,971
Net capital gains	477,276	1,180,881
Net earnings for the year	<u>\$ 2,947,347</u>	<u>\$ 3,467,852</u>
Earnings per share:		
From operations	\$.93	\$.86
Net capital gains18	.45
Total	<u>\$ 1.11</u>	<u>\$ 1.31</u>
Dividends per share	\$.40	\$.40

Financial Position

Funds generated from operations and net capital gains	\$ 4,378,841	\$ 5,081,508
Working capital	\$16,097,205	\$12,666,128*
Additions to fixed assets	\$ 1,645,481	\$ 2,638,889

*Reclassified for comparative purposes



Salada Foods Ltd and Subsidiaries

DIRECTORS' REPORT

It is a pleasure to submit your Directors' Report covering the consolidated operations of your Company and its subsidiaries for the fiscal year ended September 30, 1968.

Sales and Earnings

Consolidated sales for the year totalled \$81,740,645 off 4.4% from last year. This is due largely to the fact that during the year the Company sold its shares of Clearbrook Frozen Foods Ltd. and Plant Industries, Inc. as a continuation of its announced policy of disposing of segments of the business which have proven unprofitable, do not promise future profitable growth, or do not complement its primary function. In addition, during the year the Company, pursuant to a previous commitment to the Government of Jamaica, sold 50% of its interest in the Jamaica subsidiary to the public in Jamaica and, therefore, the sales from this subsidiary have not been included in the consolidated sales figures. While the total sales figure is down from a year ago due to these disposals, we feel your Company is in a more favourable position for the future.

After tax, earnings from operations of \$2,470,071 or 3.1% to sales were \$183,100 ahead of last year's figure of \$2,286,971 or 2.6% to sales. This improvement was accomplished in spite of tax increases and rising costs for materials, labour and services.

Earnings from operations on a per share basis of 93.1¢ were 8% ahead of last year's figure of

86.3¢ per share. Net capital gains of \$477,276 increased the net per share earnings to \$1.11.

Capital Expenditures

Capital expenditures of \$1,742,481 featured the expansion of the Waste Disposal System at the potato plant in Alliston; new equipment for our dessert plant in Toronto; additions and modifications to our new instant tea plant in Florida; new, more modern bakery plant equipment and new bakery outlets for Hunt's and Woman's Bakeries.

Activity for Growth

It has been our announced intention to place our divisions in a position of sound, aggressive growth in both sales and profits through an integrated program of management development, product improvement and new product introductions. Additionally, with plant modernization, intensive cost reduction objectives have been set throughout all divisions.

During fiscal 1968 all divisions made significant strides within this program. Packages for some of our established products were modified to improve their appeal and new products were successfully placed into the market, all designed to further stimulate consumer purchases and to build consumer preference and loyalty for the various brands sold by the Company.

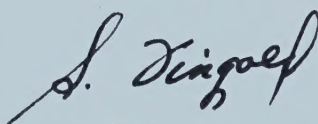
New retail bakery outlets were opened and some existing ones were renovated to better

present the fine quality bakery and delicatessen products offered under the Hunt's, Woman's and Fenton's brand names.


All phases of manufacturing, administration, selling and marketing were reviewed in order to provide increased service while minimizing the adverse effect of ever-rising costs. The result of this program is demonstrated by the improvement in profitability reflected in earnings for this year.

The Directors express their sincere thanks and appreciation for the support, cooperation and contribution received during the year from the employees, shareholders, customers and suppliers.

On behalf of the Board of Directors.



Chairman



President

*Don Mills, Ontario
November 22, 1968*

**Salada Foods Ltd and Subsidiaries****Consolidated Balance Sheet****ASSETS**

	1968 \$	1967 \$
Current		
Cash and short-term deposits	6,314,792	1,922,117
Marketable securities — at cost (quoted market value \$632,100)	592,594	592,594
Accounts receivable	5,338,620	6,014,664
Inventories (note 2)	11,057,092	13,325,992
Prepaid expenses (note 4)	750,188	1,272,935*
Special refundable tax	41,488	86,738*
	<u>24,094,774</u>	<u>23,215,040</u>
Investments		
Shares in Jamaican companies (note 1)	847,001	—
Shares of an associated company — at cost	500,400	500,400
Mortgages receivable and sundry investments — at cost	333,751	395,435
	<u>1,681,152</u>	<u>895,835</u>
Land, Buildings, Equipment and Leasehold Interests (note 3) ..	<u>13,063,776</u>	<u>16,251,400*</u>
Instant Tea Plant (note 4)	<u>1,336,550</u>	<u>956,825*</u>
Excess of Purchase Price of Businesses Acquired Over Net Assets	<u>363,463</u>	<u>1,825,596</u>
	<u>40,539,715</u>	<u>43,144,696</u>

*Reclassified for comparative purposes

Signed on behalf of the Board:

S. FINGOLD
Director

R. C. BEESON
Director

LIABILITIES

Current

	1968 \$	1967 \$
Bank loans	—	2,357,512
Accounts payable and accrued liabilities	6,310,511	7,237,487
Income and other taxes	787,049	426,562
Due to associated company	135,440	50,118
Current instalments on funded debt	764,569	477,233
	<u>7,997,569</u>	<u>10,548,912</u>
Funded Debt (note 5)	5,034,877	5,970,249
Minority Interest in Consolidated Net Assets (note 6)	1,583,421	2,605,379

SHAREHOLDERS' EQUITY

Capital Stock

Authorized —
5,000,000 common shares without nominal or par value

Issued and fully paid —
2,653,138 common shares (including 2,000 shares
issued during the year for \$17,600 cash)

Retained Earnings

8,635,629	8,618,029
<u>17,288,219</u>	<u>15,402,127</u>
<u>25,923,848</u>	<u>24,020,156</u>
<u>40,539,715</u>	<u>43,144,696</u>

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Salada Foods Ltd and subsidiaries as at September 30, 1968 and the consolidated statements of earnings, retained earnings and source and use of funds for the year then ended. Our examination of the financial statements of Salada Foods Ltd and the subsidiaries of which we are the auditors included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of the other subsidiaries.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at September 30, 1968 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

November 19, 1968

McDONALD, CURRIE & CO.,
Chartered Accountants



Salada Foods Ltd and Subsidiaries

Consolidated Statement of Earnings

for the year ended September 30, 1968

	1968 \$	1967 \$
Gross Sales	81,740,645	85,521,769
Less: Outward freight, allowances and discounts	5,971,171	6,066,796
Net Sales	75,769,474	79,454,973
Manufacturing, Selling and Administrative Costs	69,886,933	73,428,778
Operating Profit Before the Items Below	5,882,541	6,026,195
Deduct: Provision for depreciation	1,431,494	1,613,656
Interest on funded debt	344,134	382,627
Other interest	283,722	439,666
Directors' remuneration (directors' fees \$16,150) ..	109,428	114,724
	2,168,778	2,550,673
Investment income	185,259	63,092
Equity in income of 50% owned companies (note 1)	81,402	—
	1,902,117	2,487,581
Earnings from Operations Before Income Taxes	3,980,424	3,538,614
Income Taxes (note 7)	1,420,000	1,070,000
Minority Interest	90,353	181,643
Earnings from Operations	2,470,071	2,286,971
Net Gains on Disposal of Investments and Operating Divisions and from Devaluation of Sterling, after Deducting Minority Interest	477,276	1,180,881
Net Earnings for the Year	2,947,347	3,467,852

Consolidated Statement of Retained Earnings

for the year ended September 30, 1968

	1968 \$	1967 \$
Balance at beginning of year	15,402,127	12,744,730
Net earnings for the year	2,947,347	3,467,852
Reduction in reserve for contingency	—	250,000
	18,349,474	16,462,582
Dividends	1,061,255	1,060,455
Balance at end of year	17,288,219	15,402,127



Salada Foods Ltd and Subsidiaries

Consolidated Statement of Source and Use of Funds

for the year ended September 30, 1968

	1968 \$	1967 \$
Source of Funds		
Net earnings for the year	2,947,347	3,467,852
Add: Charge not requiring cash outlay — Depreciation ...	1,431,494	1,613,656
	<u>4,378,841</u>	<u>5,081,508</u>
Common shares issued	17,600	—
Disposal of operating divisions and subsidiaries	2,994,785	1,099,877
Sale of investments (cost)	61,684	528,411
Minority interest	—	380,579
	<u>7,452,910</u>	<u>7,090,375</u>
 Use of Funds		
Additions to fixed assets	1,645,481	2,638,889
Dividends	1,061,255	1,060,455
Reduction in funded debt	935,372	511,265
Excess of purchase price of businesses acquired over net assets	—	419,686
Instant tea plant	379,725	160,407*
	<u>4,021,833</u>	<u>4,790,702</u>
 Increase in Working Capital	<u>3,431,077</u>	<u>2,299,673</u>

*Reclassified for comparative purposes



Salada Foods Ltd and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended September 30, 1968

1. BASIS OF CONSOLIDATION

The accounts of all subsidiaries have been consolidated. Fixed assets of the United States subsidiaries have been converted to Canadian funds at par, and those of other foreign subsidiaries have been converted to Canadian funds at the exchange rates in effect when they were acquired. Current assets and current liabilities of foreign subsidiaries have been converted to Canadian funds at the exchange rates in effect at September 30, 1968.

The investment in the 50% owned Jamaican companies is carried at cost plus the increase in equity since acquisition. The increase in equity in the current year has been credited to earnings. In 1967 when these companies were subsidiaries, their accounts were included in the consolidation.

2. INVENTORIES

Inventories are valued at the lower of cost and net realizable value and consist in M\$ of:

	1968	1967
	\$	\$
Ingredients and supplies	5,673	6,363
Products — in process and finished .	5,384	6,963
	<u>11,057</u>	<u>13,326</u>

3. FIXED ASSETS

Land, buildings, equipment and leasehold interests and their related accumulated depreciation or amortization are classified in M\$ as follows:

	1968		1967	
	Cost \$	Accumulated depreciation \$	Net after depreciation \$	Net after depreciation \$
Land	1,413	—	1,413	1,839
Land improvements	1,149	101	1,048	1,326
Buildings	6,282	1,770	4,512	5,436
Equipment	15,049	9,650	5,399	6,918
Leasehold interests	2,419	1,727	692	732
	<u>26,312</u>	<u>13,248</u>	<u>13,064</u>	<u>16,251</u>

4. INSTANT TEA PLANT

	1968	1967
	\$	\$
The accumulated costs comprise:		
Land and land improvements ...	6,654	6,654
Plant and equipment	886,211	789,764
Start-up costs	443,685	160,407
	<u>1,336,550</u>	<u>956,825</u>

Start-up costs will be amortized and plant and equipment will be depreciated when production of commercial quantities of instant tea commences. It is expected that this will occur early in 1969. At September 30, 1967, deferred start-up costs were included in prepaid expenses. These have been reclassified for comparative purposes.

5. FUNDED DEBT

Funded debt consists of the following:	\$
5% sinking fund debentures, maturing December 15, 1975 — \$37,000 payable in 1969, increasing annually to \$90,000 in 1974	1,052,000
6% sinking fund debentures, maturing July 1, 1977 — \$241,000 payable in 1969, increasing annually to \$494,000 in 1976 ..	4,072,000
Sundry notes and mortgages	675,446
	<u>5,799,446</u>
Less: Current instalments	764,569
	<u><u>5,034,877</u></u>

6. MINORITY INTEREST

Preference shares of Canadian Food Products Limited, a subsidiary, are included in minority interest on the consolidated balance sheet. This subsidiary has certain obligations to purchase these shares for cancellation or to redeem them at a premium.

7. INCOME TAXES

Income taxes have been calculated after claiming maximum capital cost allowance, which is in excess of depreciation recorded in the accounts by \$327,000. As a result the total taxes otherwise payable for the year have been reduced by \$177,000 while the net accumulated reductions to date amount to \$1,300,000.

8. LEASES

A lease with an associated company requires Salada Foods Ltd to pay all such company's expenses, and all amounts falling due in each year on its first mortgage bonds. The net expenses in the years ended September 30, 1968 and 1967 were \$384,015 and \$380,177 respectively. \$1,693,000 of the first mortgage bonds were outstanding at September 30, 1968 of which \$30,000 are due on February 1, 1969. The lease expires on February 1, 1981.

Minimum rentals under lease agreements of subsidiaries which extend for more than five years from September 30, 1968 aggregate approximately:

	\$
1969 - 1973	2,707,000
1974 - 1978	1,970,000
1979 - 1983	937,000
1984 - 1988	264,000
1989 and after	940,000

9. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The aggregate direct remuneration paid by the company and its subsidiaries to the directors and senior officers amounts to \$283,761.

Activity for Growth

The 5 national flags shown below
indicate the countries in which we operate:

Canada, England, Jamaica
British Honduras, and the United States.

On the fold out page we
have shown some of the more significant
new activities undertaken
in these several companies over the past year.

Each of these new packages, products,
stores and processes are designed
to establish a solid foundation
for future continued growth
and expansion of your Company.



1968 – A Year of Activity



Part of our marketing strategy this year was directed toward the development of new products and effective new package designs for our established lines. The new products have been well received and our plans call for a continuing intensified program in new product development. Also a number of the Company's long-time favourite brands have been introduced in more colourful and attractive packages as shown on this page. The acceptance of these innovations has been highly favourable and reflects your Company's constant efforts to maintain its growth pattern and position of leadership in the food industry.

and Accomplishment



Representative of the many fine Hunt's Bakeries is this sophisticated, modern store, located in Toronto's new Toronto-Dominion Centre. Present plans project additional facilities of this type.



The constant flow of packaged products from our recently expanded warehouse in Don Mills, is speeded by the most modern mechanized handling equipment available.



The above photo shows only a portion of the elegant new Fenton's Bakery, situated in the giant St. Laurent Shopping Centre in Ottawa. Fenton's, a division of Canadian Food Products, operates a number of fine food stores in the Ottawa district.



Our Computer Centre has become an essential instrument to management in dealing with the Company's complexity of operations, and provides accurate and speedy data to many segments of the business.



The photo at left shows only the Honey Dew section of the departmentalized Women's Bakery, Honey Dew and Ice Cream facility in Barrie which has established an exciting image for future installations. Through innovative facilities such as these the superior qualities of our Bakeries, Delicatessens and Restaurants will be more readily appreciated.



**The symbol of
respect and leadership
in the production,
processing and marketing
of essential food
products and services.**